

Press Release

Ridgecraft Homes Private Limited

October 04, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	200.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BBB-' (read as ACUITE Triple B 'minus') on the Rs. 200.00 Cr Non-Convertible Debentures (NCDs) of Ridgecraft Homes Private Limited (RHPL). The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation considers the established market presence of the promoter group in the real estate market of North India, the extensive experience of the promoters and continued business and financial support from BPTP (Business park town planners) Limited, the flagship entity of the group.

About the Company

Incorporated in 2018 and based in Faridabad (Haryana), Ridgecraft Homes Private Limited (RHPL) is engaged in the real estate industry as a real estate developer engaged primarily in construction of residential floors and development of land and sale of plots. RHPL is a family-owned business and promoted by Ms. Anjali Chawla (wife of Mr. Kabul Chawla, Managing Director and Chairman of BPTP Limited). The promoters of the company have been engaged in the Indian real estate industry for more than 2 decades. RHPL's upcoming projects are located in Sector 81 (17.5 acres), Sector 84 (5.82 acres), Sector 84 (14.44 acres), Sector 85 (5.57 acres) and Sector 86 (7.76 acres) of Faridabad (Haryana). The business plan of the RHPL's management is to generate cash flows through sale of land as developed plots and constructed floors (flats). However, the proportion of sales through plot and floors will be dependent to the customer demand and property prices of plotted land in the given region. The expected total saleable area stands at 1,27,583 sq. yds. (in terms for development of plotted land) and 44.04 lakhs sq. ft. (in terms for development of floors). The property located at Sector 81 and part of Sector 84 has been developed, resulting in expected project cost of ~ Rs. 42.60 Cr for plotted land development of Sector 84 (14.44 acres), Sector 85 and Sector 86.

About the group company – BPTP Limited (rated ACUITE BBB+/Stable/ACUITE A2+)

BPTP Limited (BPTP) was incorporated in 2003 by Mr. Kabul Chawla in Faridabad (Haryana). BPTP (Business park town planners) is one of the largest real estate developer in terms of units delivered in the National Capital Region (NCR) and is engaged in development of real estate

with presence in verticals like Residential, Commercial projects ranging from Integrated Township, Group Housing, Low Rise plotted development, Villas, Retail, Office Space, Cyber Parks and plotted land. BPTP is presently developing 16 residential projects across Faridabad and Gurugram and 1 commercial project in Noida

Analytical Approach

To arrive at this rating, Acuité has considered the standalone business and financial risk profile of Ridgecraft Homes Private Limited and notched up the standalone rating by factoring in the strong operational and financial support to be expected in form of development management services and extension of corporate guarantee for the NCDs by 'BPTP Limited'.

Key Rating Drivers

Strengths

Longstanding track record of BPTP Limited in the real-estate sector; Promoter's industry experience and established regional presence

BPTP was incorporated in 2003 with the main objective of developing real estate in verticals of Residential, Commercial projects ranging from Integrated Township, Group Housing, Retail, Office Space and Cyber Parks by Mr. Kabul Chawla, who has more than 2 decades of experience in the real estate industry. Mr. Kabul Chawla is a first generation entrepreneur and started his own business of development of real estate in the year 1994. Since inception, the company has acquired more than 2,500 acres of land bank primarily in Faridabad, Gurgaon and Noida. Nearly entire land bank of the company falls in approved Zones (Residential, Commercial, IT, SEZ) which strengthens the company to keep supply of realty inventory extant as per demand in the market. Since inception, on a consolidated basis, BPTP has developed/under development more than 50 million square feet of saleable area (Group Housing apartments, Low Rise, plotted development, Villas, plots, Commercial Spaces etc.) in NCR, primarily in Faridabad and Gurgaon. The Company has achieved sales value of more than Rs.12,000 Cr over the years and has delivered more than 18,000 units; of which more than 8,500 units have been delivered over last 5 years which is one of the highest in NCR region. BPTP has a diversified portfolio of contemporary commercial, residential, and retail developments, wherein each project is defined by its unique architecture, design, aesthetics and infrastructure. BPTP has not only offers viable realty with its mega township Parklands in Faridabad but has also forayed in luxury housing with various projects across the NCR. Acuité believes that promoters' extensive industry experience and leveraging of its brand equity will lead to lower implementation and demand risk associated with on-going and upcoming projects over the medium term.

Strong support in business operations from BPTP Limited

RHPL's expected upcoming projects will be under the directions of the promoter-related group entity 'BPTP Limited' as the same will provide its expertise as development management services whereby the project will be using the brand name of 'BPTP'. BPTP Limited will jointly take decision in business plan involving Sales pricing and volume, Marketing and sales strategy, developing mix and phasing, Master planning and individual building massing, construction milestones, cost estimations and building specifications. Besides the operational support, BPTP is expected to extended a corporate guarantee for the NCDs issued by RHPL. Acuité believes that the presence of operational and financial support from the BPTP Limited is likely to augment the business and financial risk profile of the company.

Presence of escrow account and waterfall mechanism to ensure timely repayment

The investors to the NCDs are expected to benefit from the Escrow account and the waterfall mechanism for servicing principal, interest, and other obligations payable towards the arrangement. RHPL's sale proceeds i.e. all receivables generated from the project pursuant to sales of apartment/plots/office spaces/any other units will be re-routed through a designated escrow account. The distribution as per the waterfall mechanism is as follow:

- 1) To pay any outstanding / defaulted amounts as per the terms of the NCDs.
- 2) To pay scheduled interest & principal as per the terms of the NCDs.
 - a. A reserve (FD) for 1 month's interest shall be kept ("Interest Reserve").

b. A reserve (FD) shall be created for 1 quarter's Principal repayment ("Principal Reserve") on the outstanding principal on the first day of the quarter in which it is due, only in case there is any event of default.

3) The remaining cash flows will be transferred to a "second account" for payment towards the operational costs. However, RHPL needs to maintain 'security cover' of 2x the value of outstanding investment and outstanding interest but not paid. Lastly, RHPL can use the balance excess amount to pre-pay the NCDs or release it to the Company/Developer. Acuité believes that the presence of adequate liquidity buffers and the trustee oversight mechanism will strengthen the payment structure.

Weaknesses

High geographical concentration risk in revenue profile with upcoming projects

RHPL's upcoming projects are in NCR majorly in Faridabad; with no plans to diversify in the medium term. Acuité believes that RHPL would remain geographically concentrated until the start-up and successful completion of any project and receipt of healthy customer advances through the sale of entire units in any other region in future.

Susceptible to real estate cyclicality and regulatory risks

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region-specific presence. The risks associated with the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations. RHPL is exposed to the risk of volatile prices on account of demand-supply mismatches in the Faridabad real estate industry. The company is exposed to market risks for the unsold inventory, in terms of sales velocity, pricing and timely collection. Further, the industry is exposed to regulatory risk, which is likely to impact players such as RHPL, thereby impacting its operating capabilities. However, Acuité believes that from the customer demand for the project being completed at BPTP Limited level with about almost entire units sold in the Sector 81 and Sector 84 of Faridabad, mitigates the risks to an extent.

ESG Factors Relevant for Rating

For the construction industry, environmental considerations like ecological balance and biodiversity impact of construction activities needs to be monitored. Management of air quality during the processes is also a key material issue, thereby, making air pollutant emissions and GHG emissions important. Further, environmental management practices, water and energy efficiency are also key material risks for the industry.

For the construction industry, the safety of their employees is of paramount importance. Another key material issue is human rights, and check has to be maintained on human right violations for those involved in the industry. In order to avoid defects in construction, the product quality and product responsibility is crucial. Community support and development practices of the companies are important to assess their impact on society.

Upholding business ethics and fundamental values is the foremost material issue for the specialized construction industry. The management compensation and board independence are significant key material risks as well. Other key issues for the industry include shareholder rights, takeover defence mechanisms, board diversity and compensation, audit committee functioning and financial audit and control.

Company is engaged in Plotted development of land in Faridabad and generating revenue through sale of plots only. Further company is using latest technologies for its Plot development activity. The company is developing plots under Deen Dayal Jan Awas Yojna wherein the company has clearances and is adhering to the environmental norms.

Company is promoted by Mrs. Anjali Chawla (99.99% shareholding) vouching the women empowerment. Further Nikita Aggarwal is Compliance officer of the company who is Company secretary by profession. The company's vision is to encourage opportunity for women and gives equal opportunity to the female employees.

Company Publishes its Notices/ annual reports/ major changes on its Website and also make statutory disclosures. The company is maintaining transparency in data and information and the management's experience in the field safeguards the company from any unwanted

incidence.

Rating Sensitivities

Timely completion of construction or timely realization of customer advances pending from sold inventory

Timely sale of the unsold inventory and realization of its customer advances

Sustainable improvement in Profitability, Leverage and Solvency position of the company.

Sustainable improvement in realization per unit by the company.

Material covenants

None

Liquidity Position

Strong

Company has strong liquidity as evident from collection of project till July 22 was Rs. 116.07 crores out of which company utilized Rs 36 Crores for corporate use and balance cash available is used for interest payments and early redemption of NCDs. It is expected that further collections of company will be Rs~322 crores and will be used for interest payment and early redemption of NCDs. (Already redeemed NCDs of Rs. ~37.50 crores out of total NCDs of Rs. 200 crores.) Further expected cash balance of company at the end of FY 23 is Rs~ 196 crores. Thus Company has strong liquidity to meet its debt obligations.

Outlook: Stable

Acuité believes that the RHPL will maintain 'Stable' business and financial risk profile over the medium term on the back of experienced promoters, long track record of operations of supporting related entity and established brand presence in the real estate industry. The outlook may be revised to 'Positive', in case of higher-than-anticipated advances from customers or promoter fund support resulting in adequate cash flows. Conversely, the outlook may be revised to 'Negative' in case if any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on RHPL's liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	75.26
PAT	Rs. Cr.	(18.77)	3.43
PAT Margin	(%)	(1786254.33)	4.55
Total Debt/Tangible Net Worth	Times	(20.70)	0.00
PBDIT/Interest	Times	(0.25)	29882.14

Status of non-cooperation with previous CRA (if applicable)

Brickworks, vide its press release dated April 14 , 2022, had downgraded the rating of RIDGECRAFT HOMES PRIVATE LIMITED to 'BWR BB-/A4; ISSUER NOT COOPERATING'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Oct 2021	Non Convertible Debentures	Long Term	200.00	ACUITE BBB- Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	10.00	ACUITE Provisional BBB- (Withdrawn)
26 Aug 2021	Proposed Non Convertible Debentures	Long Term	210.00	ACUITE Provisional BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Non-Convertible Debentures (NCD)	23-09-2021	16.00	28-02-2026	200.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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